

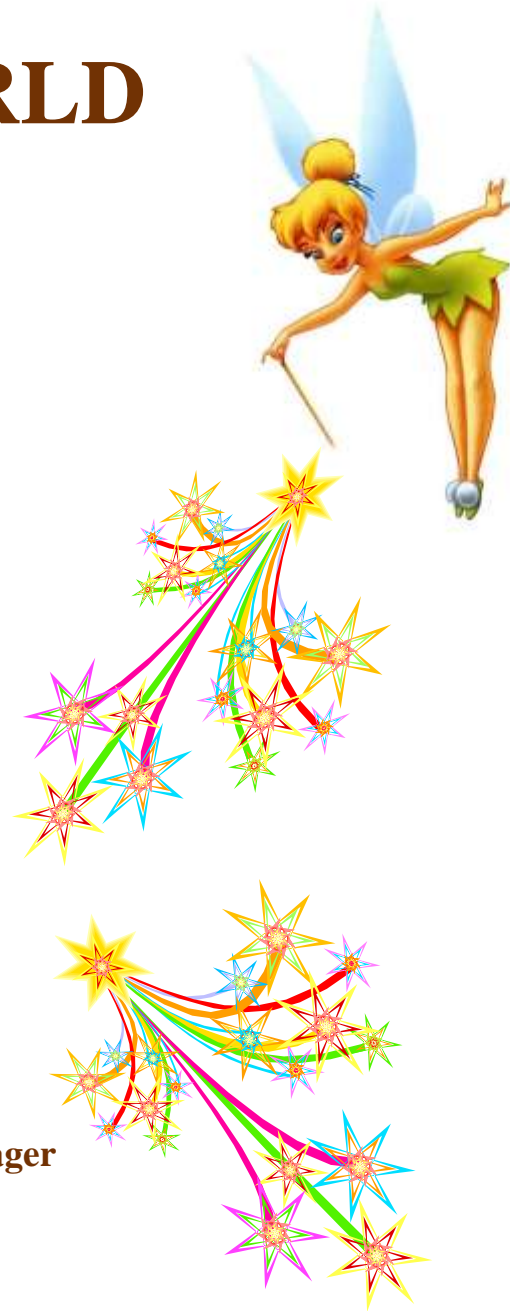
THE WONDERFUL WORLD OF GASB

*Statement No. 54
Fund Balance Reporting and
Governmental Fund Type Definitions*

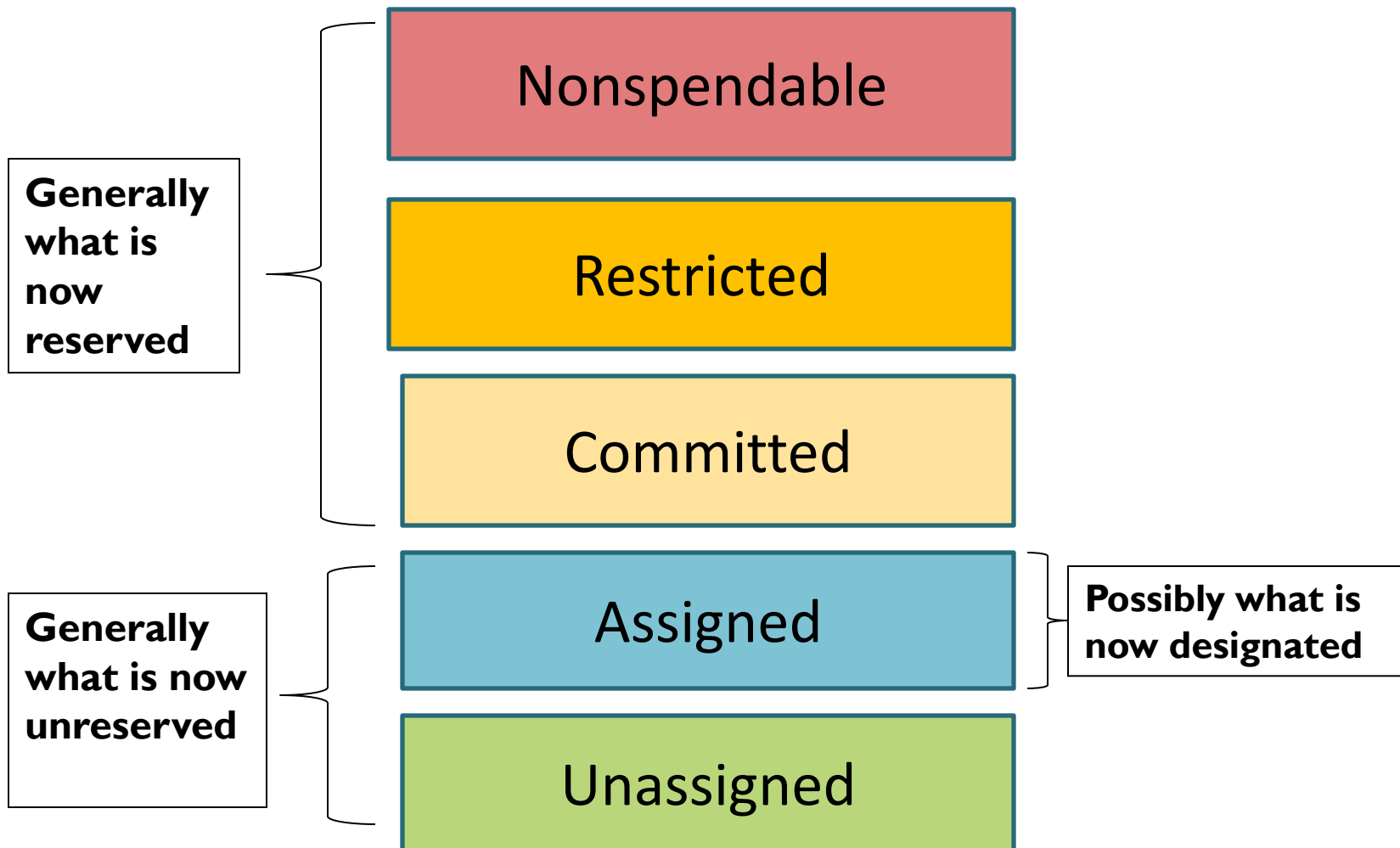
*Step by Step
Approach
to
Implementing GASB 54*

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&
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DEPARTMENT OF ADMINISTRATION
LOCAL GOVERNMENT SERVICES BUREAU



OLD vs. NEW FUND BALANCE CLASSIFICATIONS



APPLYING NEW FUND BALANCE CLASSIFICATIONS

Nonspendable

Resources not in spendable form or Are legally required to be maintained intact

Restricted

Constraint EXTERNALLY imposed by third party (grantor, contributor, etc.) State Constitution or by enabling legislation. Legally enforceable by external parties

Committed

Constraint INTERNALLY imposed by local government's highest level of authority (Council, Board, etc.) of formal action using the highest level of decision making authority

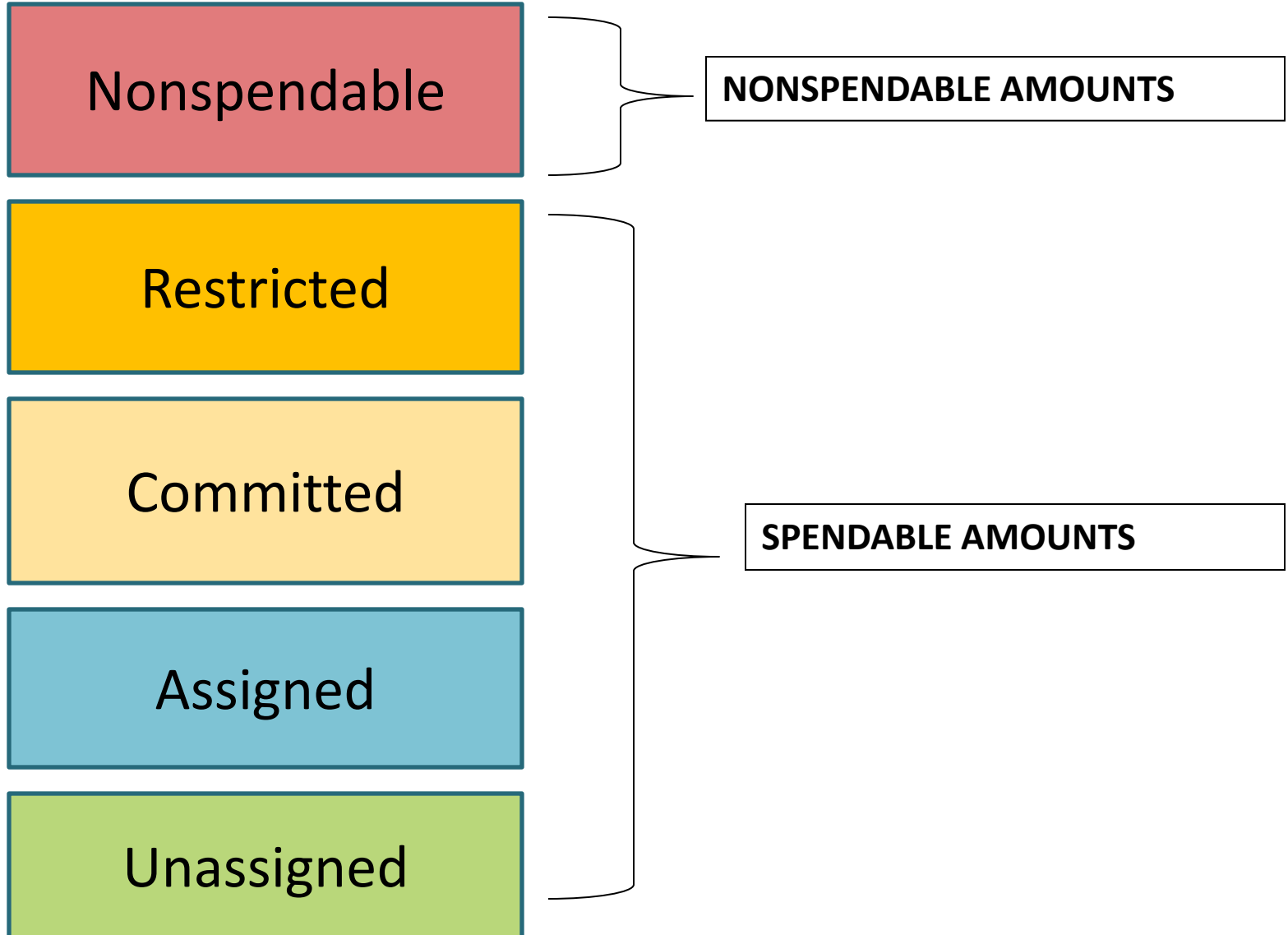
Assigned

Constraint is an INTERNAL expression of intent by governing body or authorized official

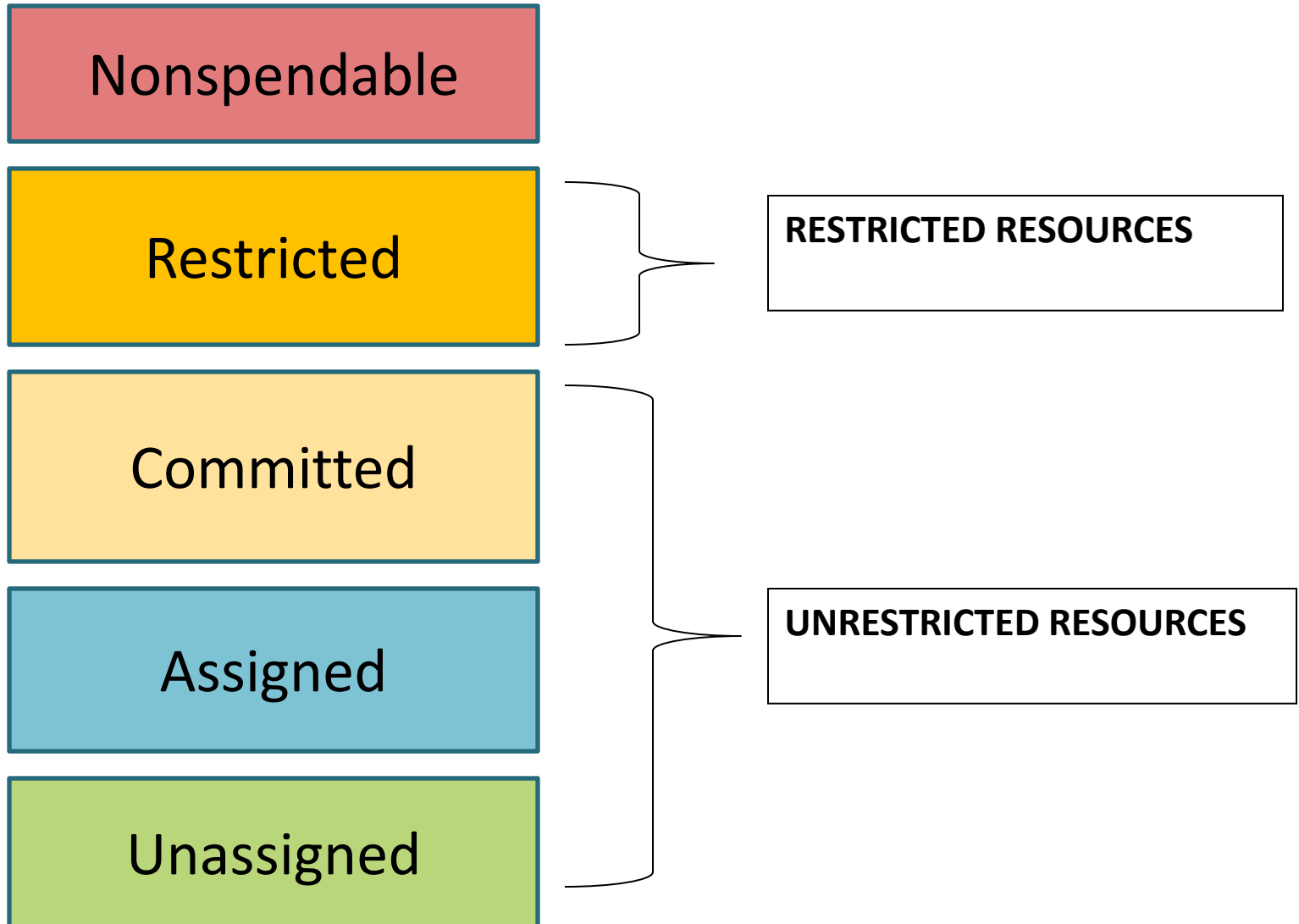
Unassigned

No constraints

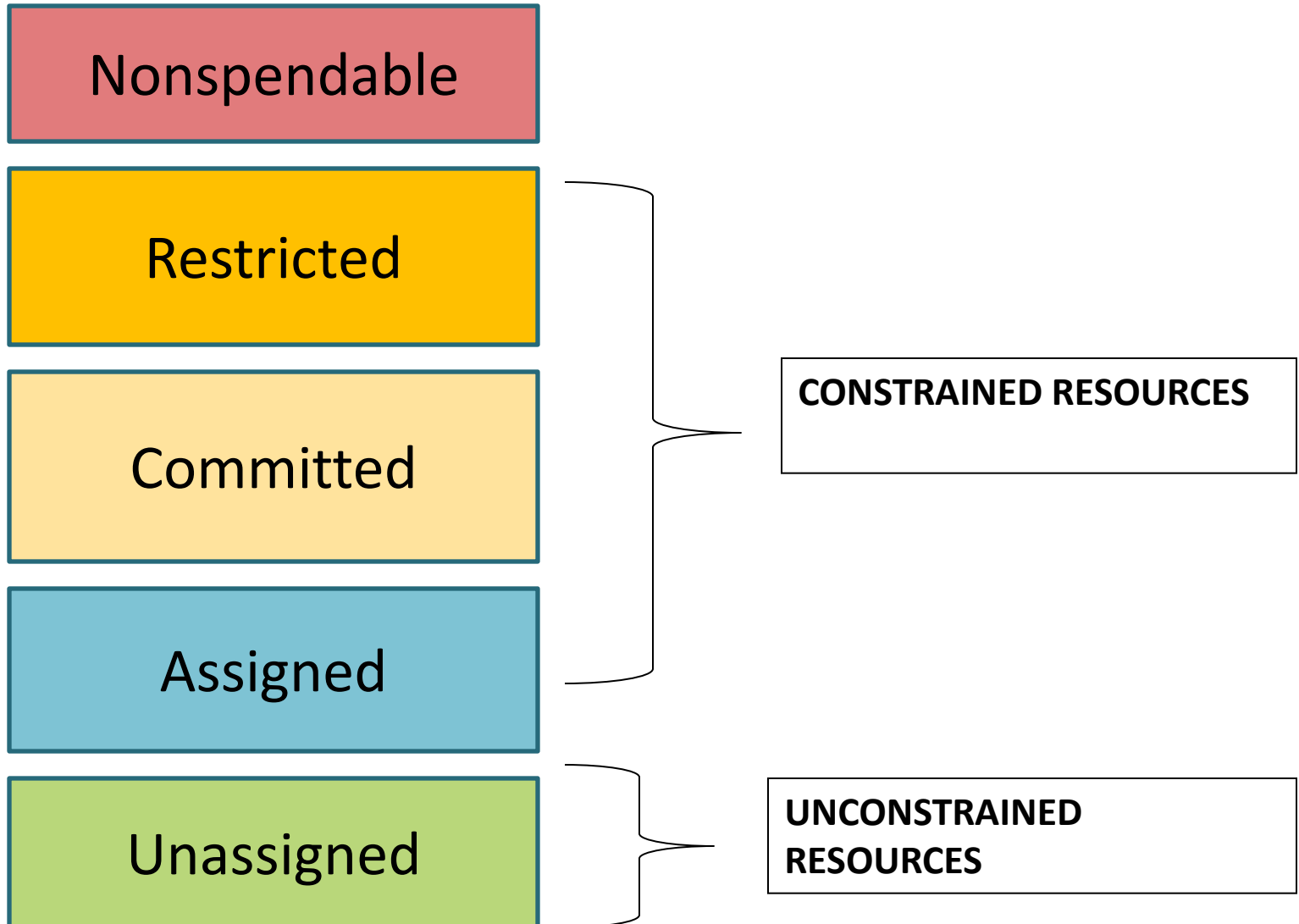
NONSPENDABLE vs. SPENDABLE



RESTRICTED vs. UNRESTRICTED RESOURCES



CONSTRAINED vs. UNCONSTRAINED RESOURCES



TO DO LIST – PRIOR TO YEAR END

**1) Create and formally adopt a
Spending Policy prior to fiscal
year end.**

SAMPLE OF SPENDING POLICY

GENERAL FUND

General Fund

AnyTown receives inflows from revenue and other financing sources from numerous sources for use in the General Fund. The Fund will expend those resources on multiple purposes of the local government. The intention of this spending policy is to identify the expenditure order of resource categories for the General Fund.

Resources will be categorized according to Generally Accepted Accounting Principles (GAAP) for state and local governments.

When both restricted and unrestricted resources are available in the General Fund, the following spending policy will apply;

- 1st Restricted
- 2nd Committed
- 3rd Assigned
- 4th Unassigned

The City Council, the Mayor, and the Clerk/Treasurer, individually have the authority to express assignments in the General Fund.

SAMPLE OF SPENDING POLICY

ALL SPECIAL REVENUE FUNDS

All Special Revenue Funds

AnyTown receives inflows from revenue and other financing sources from various sources for use in Special Revenue Funds. Special Revenue Funds will expend those resources on the specific purpose of the fund. The intention of this spending policy is to identify the expenditure order of resource categories for all Special Revenue Fund.

Resources will be categorized according to Generally Accepted Accounting Principles (GAAP) for state and local governments.

When both restricted and unrestricted resources are available in a Special Revenue Fund, the following spending policy will apply;

- 1st Restricted
- 2nd Committed
- 3rd Assigned

The City Council, the Mayor, and the Clerk/Treasurer, individually have the authority to express assignments in Special Revenue Funds.

TO DO LIST – PRIOR TO YEAR END (cont.)

2) Determine if current special revenue funds meet the revised fund definition to be reported on the financial statement as such prior to fiscal year end.

➤ **If YES, no further action is required**

➤ **If No, decide;**

✓ Whether the current year activity will be combined with and presented on the financial statements in the General fund (not advisable due to perspective differences on the Budget to Actual statement)

OR

✓ Whether a formal commitment will be necessary.

3) Be sure the formal action to commit is passed and approved prior to fiscal year end.

EXAMPLE OF LANGUAGE IN A FORMAL COMMITMENT

WHEREAS, AnyTown allocates general tax , State entitlement, and interest revenues for expenditure on the specific purpose of certain special revenue funds,

WHEREAS, AnyTown is required by law to prepare financial statements in accordance with Generally Accepted Accounting Principals (GAAP) and in conformity with such, wishes to continue to allocate these general revenue sources and report the activity of the specific purpose in a special revenue fund,

BE IT RESOLVED, that the AnyTown Town Council commits allocated general tax, State entitlement , and interest revenues for expenditure on the specific purpose of the following funds;

Comprehensive Insurance	2190
Group Health	2270
PERS-Retirement	2370

BE IT FURTHER RESOLVED, The specific amount formally committed will be determined by the Clerk/Treasurer by means of the following; (1) Review fund balance as of June 30th each year (2) determine necessary cash reserve to be maintained in the fund, and (3) determine whether excess fund balance will be retained in the fund as a committed resource for the specific purpose or resources will be transferred to the General fund or funds with like purposes.

PASSED AND APPROVED BY THE TOWN COUNCIL AND THE MAYOR OF ANYTOWN, MONTANA, THIS 29th DAY OF JUNE, 2011.

MAYOR

ATTEST;

CLERK/TREASURER

COMMITMENTS

**DEPENDING ON THE FORM OF GOVERNMENT ,
IF THE LOCAL GOVERNMENT HAS BOTH
EXECUTIVE AND LEGISLATIVE BRANCHES,
BOTH BRANCHES ARE REQUIRED TO APPROVE
THE ACTION. CONFER WITH LEGAL COUNSEL
FOR GUIDANCE IF UNSURE.**

DISCLOSURE REQUIREMENTS

Per GASB 54; Governments may disclose detail through display on face of the financial statements, disclosure in the notes to the financial statements or a combination of both.

GASB 54 refers to GASB 34 ¶ 32 when determining the level of detail for reporting restricted net assets.

- **Restricted net assets should be displayed distinguishing between major categories of restrictions and unrestricted. GASB 34 ¶ 32**

Restricted fund balance display- keep in mind terminology currently using in proprietary fund level and government-wide financial statements;

- **Restricted fund balances in Debt Service funds equate to Restricted for debt service.**
- **Restricted fund balances in Capital Projects funds equate to Restricted for capital projects.**
- **Restricted fund balance amounts that cannot be reasonably associated, may choose the level of detail per GASB 54 ¶22.**

DISCLOSURE REQUIREMENTS

GASB 54 ¶22 states Restricted fund balance may be displayed in a manner that distinguishes between the **major restricted purposes**, or it may be displayed in the aggregate. Similarly, specific purposes information for Committed and Assigned fund balances may be displayed in sufficient detail so that the **major commitments and assignments** are evident to the financial statement user or each classification may be displayed in the aggregate.

GASB 54 ¶25 states if nonspendable fund balance is displayed in the aggregate on the face of the balance sheet, **amounts for the two nonspendable components should be disclosed** in the notes to the financial statements....

ADDITIONAL DISCLOSURE REQUIREMENTS

- The decision-making authority and formal action, if any, that results in commitments of fund balance.
- The bodies or persons with the authority to express intended uses of resources that result in assigned fund balance.
- The order in which a local government assumes restricted, committed, assigned and unassigned amounts are spent when amount in more than one classification are available for a particular purpose.
- Information about minimum fund balance policies, if a local government has one.
- The purpose for each **Major** Special Revenue fund, identifying which revenues and other resources are reported in each of those funds.

IMPLEMENTING GASB 54

**THE NARROWER THE PURPOSE OF
THE FUND THE EASIER IT WILL BE.**

**THE BROADER THE PURPOSE OF THE
FUND, THE GENERAL FUND, THE
MORE COMPLICATED.**

IMPLEMENTING GASB 54

**THERE ARE 7 STEPS TO A
SUCCESSFUL IMPLEMENTATION
OF GASB 54.**

? QUESTIONS ?

